



State of Utah

DEPARTMENT OF COMMERCE
Committee of Consumer Services

Minutes of the Meeting of the Committee of Consumer Services held
in the Heber M Wells Building, Salt Lake City, Utah, 12 September 2006

Dee Jay Hammon called the meeting to order at 9:30 a.m. in Room 474, 4th floor, Heber M Wells Building, 160 East 300 South, Salt Lake City, Utah.

Members of the Committee in Attendance:

Dee Jay Hammon
Franz Amussen

Andrew Riggle
Betsy Wolf

Kelly Casaday
Robert McMullin

Staff in Attendance:

Dan Gimble
Cheryl Murray
Ronnie Drake

Paul Proctor
Kevin Hale
Chris Keyser

Reed Warnick
Eric Orton

Members of the Public in Attendance:

Francine Giani

Dave Anderton

Gary Robinson

1. Administrative Matters

1.1 Welcome and Apologies for Absence
Dee Jay welcomed all those in attendance.

1.2 Introduction of New Committee Member
Robert McMullin introduced himself.

1.3 Selection of Committee Vice-Chair
Kelly Casaday nominated Franz Amussen as the new Committee Vice-Chair.
Betsy Wolf seconded the motion and it passed unanimously.

1.4 Date and Location of Next Committee Meeting
The tentative date scheduled for the next Committee Meeting is 2 October 2006.

1.5 Approval of Minutes from Prior Committee Meetings
Franz Amussen motioned for the Committee to approve the 7 March 2006 and 2 May 2006 meeting minutes. Robert McMullin seconded the motion and it passed unanimously.

1.6 Update on Search for New Committee Director

The search for a new director has been ongoing process since April. The search committee sent three nominations to the governor. He rejected all of the names given to him. The interviewing process to hire a new Committee Director will start all over again. Names of potential candidates will be sent to the Governor.

2. Public Comment

3. Natural Gas

3.1 Conservation Enabling Tariff (CET)

Questar and the Division of Public Utilities before the Public Service Commission on 26th December 2005 requesting approval of a tariff change that would be implement a CET pilot program. The Committee filed testimony on 15 May 2006. A technical conference was set up by the Commission and a settlement was discussed. Parties have prepared a draft settlement document. The draft will be presented to the Committee members for review and approval.

3.2 QGC Financial Reports

Dan Gimble informed the Committee that Ronnie Drake was creating spreadsheets of Questar financial reports. These spreadsheets will be a benefit to the Committee members, staff and our consultants. Dee Jay asked if this work was a duplication of what the Division of Public Utilities does with their audit of Questar. Dan said the reason we hired someone with an accounting background was to track areas of the Questar audit for changes of 10% or more. Ronnie red flags those items and gives this information to consultants and staff. Ronnie's work is tailored to the Committee's needs and enables us to gather more detailed information. This does not eliminate outside consultant work, however, it may alleviate or help consultants. Dee Jay commented that he just wanted to make sure we are not duplicating work performed by the Division of Public Utilities.

4. Electricity

4.1 PacifiCorp 2006 Rate Case

The Revenue Requirement and Rate Spread information were presented to the Committee on August 28th. If the Stipulation is approved by the Commission, Rocky Mtn. Power's Utah revenue requirement will increase by \$115 million and rates will increase on an average by 9.9%. On September 6, Roger Ball filed a request with the Commission urging them to reject the Stipulation. Mr. Ball's argument is that this is the third rate case in a row where revenue requirement issues have been settled and that residential and small business customers' rates will increase by over 20% since 2002 without a full review of evidence by the Commission through a litigation process. However, Mr. Ball

made no mention of other key features of the negotiated settlement, such as: (1) rate case stay-out that freezes rates for 2 years after these rate increases, (2) the company will willingly withdraw its controversial power cost adjustment mechanism (PCAM) and cannot re-file until December 2007, if the Company decides to pursue it, and (3) accountability provisions, which commits Rocky Mountain Power to spend monies coming out of this rate increase in the areas of Utah sub-transmission and distribution system.

Residential rate design issues are still in play. Rocky Mountain Power (RMP) wants to change its fixed monthly customer service charge from \$0.98 to \$3.40 a month. This is a fixed charge that is on the bill regardless of kilowatt usage. Under RMP's proposal customers using 500 kWh in a summer month would see a 12.6% increase on their utility bill and the customer using 1500 kWh in the summer months would only see a 7.4% increase on their utility bills. The Committee staff believes that the Company's rate design proposal fails to send proper price signals to those customers who cut back on their use of electricity. Staff is in the process of developing a more progressive pricing proposal that limits the increase in the customer charge and allocates a greater share of the overall class increase to those customers using higher amounts of electricity in the summer months.

4.2 PacifiCorp-Desert Power Contract Dispute

The major dispute involves PacifiCorp's demand that Desert Power agree to amend the Power Purchase Agreement (PPA) to adjust the avoided cost rates that Desert Power would be paid if not on line by June 1, 2007. Desert Power argues that such a change to the PPA would not be acceptable to its bank and investors; therefore, the project could not be financed. Desert Power recommends the Commission to amend the PPA and that the issue of the avoided cost rate not be decided unless Desert Power fails to meet the June 1, 2007 commercial operation date. The Committee recommendation under the terms of the Stipulation, a Qualifying Facility (QF) is required to provide power to PacifiCorp by no later than June 1, 2007 in order to receive payments reflecting stipulation prices as specified in the Stipulation. If Desert Power is unable to perform according to the terms specified in the Stipulation, the Committee recommends that Desert Power receive payments in accordance with the avoided cost prices in effect when it is commercially operational.

4.3 Regional and Market Issues

For the sake of new members, Nancy Kelly briefly described why unregulated markets might lead to higher prices and rates than with traditional regulation. She then updated the Committee on two recent filings at the federal level. On August 7, 2006, the Committee joined with other consumer advocate groups in responding to FERC's Notice of Proposed Rulemaking on "Market Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities." On August 30, the Committee joined in a renewed round of briefing at the DC Court of Appeals appealing a previous FERC decision. In

both filings the joint parties contend that FERC is not meeting its statutory obligation under the Federal Power Act to assure that rates in the wholesale electricity market are just and reasonable. By replacing filed, cost-based, rates with undisclosed, market-determined prices, rife with problems of market power, the FERC has abdicated its statutory responsibility. The Committee joined with the New Mexico Office of Attorney General, the Colorado Office of Consumer Council, Public Citizen, Public Utility Law Project, the Rhode Island Office of Attorney General, and the Rhode Island Division of Public Utilities and Carriers.

5. Public Outreach

5.1 Committee Newsletter

The Committee's first Quarterly Newsletter was disseminated 11 August 2006. 60 newsletters were mailed, 190 newsletters were delivered to the Salt Lake City and County Libraries for dissemination. The total cost of the 2006 Summer CCS Quarterly Newsletter was \$81.50. The Committee's fall newsletter will be disseminated 10 October 2006.

6. Closed Meeting: To Discuss Pending or Reasonably Imminent Litigation

Franz Amussen motioned that the Committee of Consumer Services go into closed session to discuss pending or reasonably imminent litigation. Andrew Riggle seconded the motion and it passed unanimously.

7. Motions on Items Discussed in Closed Meeting

Kelly Casaday motioned that the Committee of Consumer Services approve the stipulation in the Conservation Enabling Tariff Settlement Case and presented by Reed Warnick in the closed session. Robert McMullin seconded the motion and it passed 4-2. Andrew Riggle and Franz Amussen opposed the motion.

8. Contract Amendments

8.1 Hayet Consulting Contract

Kelly Casaday motioned that the Committee enter into a Sole Source contract with an initial termination date of 30 September 2008, for a value of \$48,200. Hayet Power Consulting will be examining areas of IRP, avoided costs, power purchase agreements evaluations, special contracts, and other related issues. Robert seconded the motion and it passed unanimously.

8.2 Nancy Kelly Contract

Betsy Wolf motioned that the Committee of Consumer Services approve the allocation of an additional \$52,945 to allow Nancy Kelly to continue to provide expert assistance regarding the restructuring of the United States Electricity

Industry and related matters. Kelly Casaday seconded the motion and it passed unanimously.

8.3 McFadden Contract

Franz Amussen motioned that the Committee of Consumer Service extend the termination date to 31 August 2007 to allow McFadden Consulting Group to continue to assist the Committee in examining Questar Gas Company's application to increase its gas pass-through rates. The motion passed unanimously.

8.4 GDS Contract

Franz Amussen motioned that the Committee of Consumer Services extend the termination date to 1 August 2007 to allow GDS & Associates Inc. to continue to assist the Committee in examining regulatory consolidated income taxes and other affiliate issues. The motion passed unanimously.

9. Other Business

Kelly Casaday proposed that the meeting adjourn. The meeting ended at 3:00pm.